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## EARNINGS OF FACTORY WORKERS

### KEEP PACE WITH FOOD PRICES

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U.S. Department of Agriculture, Agricultural Adjustment Administration, Washington, D.C.

### H I G H L I G H T S

EARNINGS per worker employed in factories fell nearly 40 percent between 1928 and the early part of 1933. Food prices also fell 40 percent. Earnings per employed worker advanced nearly 38 percent between March 1933 and August 1935, and food prices have also advanced 38 percent. The average employed factory worker has been able, as a result of this close correspondence between his earnings and the cost of his food bill, to buy as much food during every year of this depression, including 1933, 1934 and 1935, as he could have in 1928.

IN AUGUST 1935, retail food prices were 80 percent of their 1928 level while earnings per employed person were 83 percent of their 1928 level, indicating that the average factory worker could buy about 3 percent more food than in 1928.

IN AUGUST 1935, the factories processing farm products were employing within 8 percent as many people as in 1928, but the factories processing non-farm raw materials were employing 30 percent less.

AS FAR AS the employed factory worker is concerned, then, we have now a fair balance between earnings, food prices and non-food living costs. The real problem is with the unemployed, how to give them permanent employment and earnings enough to restore their former standard of living.

THE LACK of balance is not on the agricultural side of our economy. An increase in non-agricultural production of 40 to 50 percent, and not a lower general level of food prices, is the real need. That would about restore jobs to most of the unemployed.

FARMERS by continuing to produce for normal domestic consumption are doing their part toward further general recovery. Their ability to purchase a larger volume of industrial goods in a very large measure depends on the production of more industrial products. That would increase the national income to be shared proportionately by the industrial and rural population.





In order that agricultural programs may be kept in step with changing consumer needs the Agricultural Adjustment Administration, assisted by research agencies of the Department of Agriculture, maintains at all times a close observation of important economic and industrial developments in the country. Changes in consumer buying power, industrial employment, wage per worker, and numbers of employed, are especially important. The following statement by L. H. Bean, economic adviser of the AAA, summarizes the situation up to date:

During the past eight years, earnings per worker employed in factories have fluctuated with changes in the level of retail food prices. They fell nearly 40 percent between 1928 and the early part of 1933. Food prices also fell 40 percent. Earnings per employed worker advanced nearly 38 percent between March 1933 and August 1935, and food prices have also advanced 38 percent. The average employed factory worker has been able, as a result of this close correspondence between his earnings and the cost of his food bill, to buy as much food during every year of this depression, including 1933, 1934 and 1935, as he could in 1928. In fact, a closer examination of the facts shows that food prices have



been somewhat lower during the years 1931-1935 in relation to 1928 prices than were earnings per employed person, so that actually the average earnings in every one of the past five years have had a purchasing power in terms of food at retail prices somewhat greater than in 1928. In August 1935, retail food prices were 80 percent of their 1928 level while earnings per employed person were 83 percent of their 1928 level, indicating that the average factory worker could buy about 3 percent more food than in 1928.

The food prices referred to here are those of the Bureau of Labor Statistics and, of course, include the relatively high prices of meats due largely to the 1934 drought, as well as to the relatively low prices of fruits, vegetables, dairy products and other foods.

In contrast to the average worker's ability during the course of the depression and recovery since 1931 to buy as much or more food with his earnings than he could in 1928, is the fact that his living costs other than foods did not decline in step with his reduced earnings. By the spring of 1933 when his earnings were down nearly 40 percent and food prices were down 40 percent, other living costs were down only 20 percent, and his ability to buy industrial goods and pay for his rent and other non-food items was only three-fourths as great as in 1928. Since the spring of 1933, these non-food costs have remained practically unchanged at about 83 percent of the 1928 level, and now that earnings per factory worker have also advanced to 83 percent of the 1928 level, the average employed factory worker can again buy as much of industrial and other non-farm foods as in 1928. As far as the employed factory worker is concerned, then, we have now a fair balance between earnings, food prices and non-food living costs. The real problem is with the unemployed, how to give them permanent employment and earnings enough to restore their former standard of living.



Factory employment in the spring of 1933 was down 40 percent from the 1928 level. At present, the number on factory payrolls is 83 percent of the 1928 level, an increase in numbers employed of nearly 40 percent since March 1933, or just about equal to the percentage of increase in the earnings per employed worker.

The factory unemployment problem is of course greater than indicated by the fact that the rolls still show 17 percent less than in 1928. During the past seven years the population has grown and more people are available for factory work.

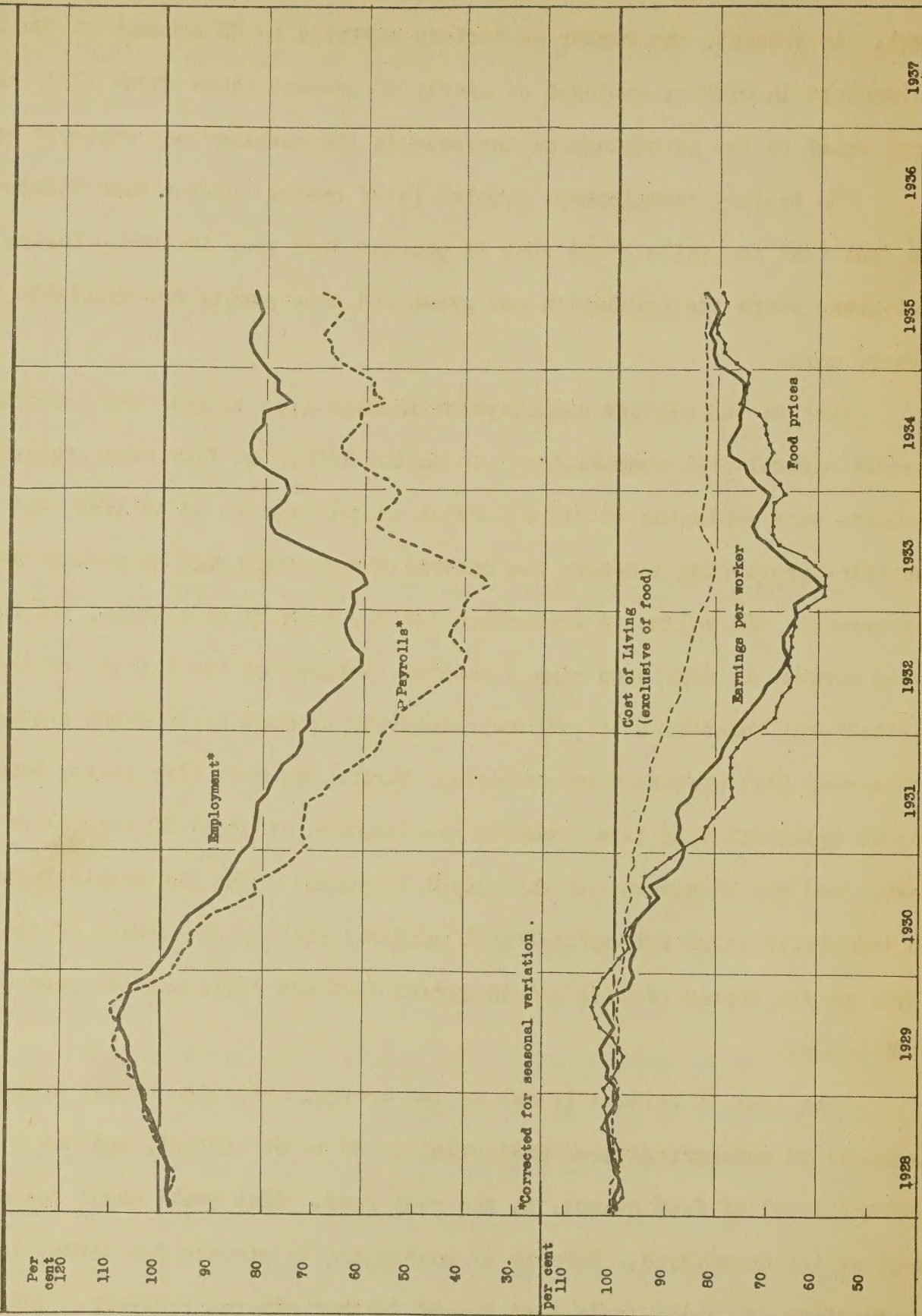
Most of the factory unemployment problem lies outside the factories that process agricultural commodities. In August 1935, the factories processing farm products were employing within 8 percent as many people as in 1928, but the factories processing non-farm raw materials were employing 30 percent less. Furthermore, the volume of production for the country as a whole, which is far below normal, is depressed almost entirely because of the failure of the non-agricultural industries to produce relatively as much as is being produced in the industries that process farm products. During the past five years, manufacturing output dependent upon farm products has remained at about 90 percent of the 1929 level, and was 90 percent of that level in August 1935; but manufacturing output in industries using non-agricultural products fell to 35 percent of the 1929 level in the spring of 1933 and in August 1935 was still only 65 percent of the 1929 volume.

The lack of balance is not on the agricultural side of our economy. An increase in non-agricultural production of 40 to 50 percent, and not a lower general level of food prices, is the real need. That would about restore jobs to most of the unemployed. Farmers by continuing to produce for normal domestic consumption are doing their part toward further general recovery. Their ability to purchase a larger volume of industrial goods in a very large measure depends on the production of more industrial products. That would increase the national income to be shared proportionately by the industrial and rural population.



# FACTORY EMPLOYMENT, PAYROLLS, EARNINGS PER WORKER, AND COST OF LIVING

1928 = 100



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THE REFERENDUM ON THE CORN-HOG PROGRAM

Speech of G. B. Thorne, Director of the Division of Live-stock and Feed Grains, Agricultural Adjustment Administration, at Shenandoah, Iowa, October 18, 1935.

U.S. Department of Agriculture, Agricultural Adjustment Administration, Washington, D.C.

SUMMARY

The referendum issue is whether we are to have a continuation of the upswing in corn and hog supplies to a new peak and a return to the old familiar hog cycle; whether or not we are to control needed expansion of corn and hog production.

If there is a corn-hog program in 1936 it will recognize frankly that everyone--farmer, consumer and packer--will benefit from a substantial expansion of hog production above the extreme shortage forced by drought.

Absence of a program wouldn't mean any immediate collapse in hog prices.

Without a program, the slump in hog prices would hit the farmer hard late in 1937 and harder still in 1938.

Without a program, to the consumer the hog price collapse would mean low-priced pork chops at first. The hog cycle means alternate extremes in price--and knock down prices of bacon one year are the surest possible sign of luxury bacon prices ahead.

The interest of the packers and their employees; the public's stake. Recurrence of price depression drives farmers to mine their soil. Next to the farmer, no one has so great an interest in soil conservation and soil restoration as the consumer.

As to prices, Congress wrote the word "maintain" into the Adjustment Act.

A program would mean a lot of hard work for farmers, a lot of give and take. The question is up to the farmers in the referendum.







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It is a pleasure to have this opportunity

to come into the Corn Belt to speak today.

My topic is the referendum to be held among corn and hog producers on October 26, on the question of having a corn-hog program in 1936.

The issue is one of great importance, not only to the Corn Belt, but to the entire country. It is of real interest and consequence, not only to the producers of corn and hogs, but to consumers everywhere, and also to processors and employees in the meat packing industry. It is my hope to present a simple and clear outline of the main question involved. I believe that if the fundamental of that question could be widely understood, certain enemies of the A.A.A. programs would fail in their attempts to stir up hostility among consumers against the farmers' adjustment efforts, and that stories appearing currently in part of the press that the farmers are so indifferent to the issues that only a small



minority will take the trouble to vote in the referendum would be shown to be false.

In order to reduce the issue to the simplest possible terms, I want to describe as briefly and frankly as I can the alternative before the farmers in the forthcoming referendum. I want to describe as accurately as I can what, on the basis of experience, are likely to be the consequences of each of the two courses which may be chosen.

I suppose the immediate choice is already understood by everyone here. The question to be voted on is: "Do you favor a corn-hog adjustment program to follow the 1935 program which expires on November 30, 1935?"

On that question, the corn-hog producers will simply vote yes or no. If a substantial majority votes aye, representative farmers will begin to work with us on a new program soon after the referendum is held. If not, efforts at corn-hog adjustment will be abandoned.

What would be the consequences of that choice? What would be the effects upon farmers and upon consumers? What is at stake for the general welfare of all the people, of whom we farmers are a part, in this referendum?

To answer those questions, let us describe, first, what on the basis of experience it seems most likely would result from abandonment of the corn-hog program.

Let me acknowledge candidly right now -- and I suppose this fact is the secret reason for confidence among enemies of the farm programs that the referendum will fail through producer indifference -- let me acknowledge frankly that abandonment of the program would not result in any immediate collapse in the price of hogs. Indications are that without a program, and as an effect of drought, hog prices would average about as high in 1936 as in 1935, although they will average lower than the seasonal peak of recent weeks. The price effects of uncontrolled production would not begin to be felt before late in 1936.



But the most important differences between having a program and not having a program cannot be measured in terms of 1936 alone. The reasons are that pigs farrowed one year are not marketed until the next, and the price of pork in any year is determined largely by feed supplies and conditions of production and prices dating back to prior seasons.

That brings us to a phenomenon of hog production which is so familiar to every hog farmer that I hesitate to describe it here. And yet it is the heart of the problem we are facing. I am absolutely convinced that if consumers generally understood the problem, there would not be a shadow of consumer resistance to farmers' attempts to find a solution.

I am referring to the hog cycle. You men here know how hog production rises and falls in a succession of surpluses and shortages. The time from shortage to shortage has averaged, according to Government records, about four years. Since 1882, we can count 12 definite production peaks, the most recent that of 1932 and 1933. Prices have alternately fallen and risen as supplies have increased and declined. You farmers have seen it work out over and over again on your own farms. When hog supplies are short and pork prices are high in relation to feed prices, most of you have stepped up your production. Then in two or three years when large meat supplies have brought a meat price collapse you may perhaps at first have tried to keep up your income by raising more hogs, but finally you have been forced to curtail. The force that is brought to bear on the hog farmer to curtail ultimately becomes compelling, because when feed prices rise above their normal relation to meat prices, the producer has absolutely no choice but to cut down his breeding herds.

Now there is nothing that seems more certain than that abandonment of the corn-hog program would mean a swing right back into that familiar succession of hog cycles. The extreme reduction in supplies caused by drought now has the

stage all set for a greater bulge in hog production in the next two years than has ever been seen in any two-year period on record.

As to that prospect, there are three parties in interest. Let us consider them one by one -- bearing in mind that we are thinking now entirely of the consequences of having no program.

First, the farmer. Without a program, he would look forward to big corn supplies and low corn prices in 1936. High prices of hogs and low corn prices would encourage heavy increases on hog supplies, and the slump in hog prices would hit him hard by late in 1937 and harder still in 1938.

Prospects are that, without a program and with normal weather conditions in the marketing year beginning in November, 1937, we could easily have 48,000,000 to 50,000,000 hogs for slaughter under federal inspection. This number would be considerably more than needed to provide an adequate supply both for domestic consumers and for the export trade that now seems probable.

You saw in 1932 and 1933 what such a surplus does to prices. I have grave doubt whether there is yet sufficient public understanding of what these low prices mean to the farmer. When hogs averaged \$3.36 on the farm at the bottom of the depression in marketing year 1932-33, this meant that the farmer got on the average exactly \$6.72 for a 200 pound hog. Into that hog went the corn yield of two-thirds of a good Corn Belt acre, and all the labor required to plant, cultivate and harvest the corn, and raise and feed the hog. You men know that prices anywhere near as low as that mean bankruptcy to a good many farmers, and a great deal of hardship to others.

While the farmer would be suffering the punishment of low prices, the consumer would be affected in a different way. So far as prices alone are concerned, the farmer and consumer always to be on opposite sides of the



counter. To the consumer, the hog price collapse that would come without a program would mean low-priced pork chops. Perhaps they might be almost dirt cheap, as they were in 1932 and 1933.

But, a return to the corn-hog cycle resulting from abandonment of the corn-hog program would have, for the consumer, other consequences, too. For one thing, the corn-hog producer, suffering from deflated income, would have less money to spend. He would be out of the market for clothes, machinery, household goods, drugs and all kinds of wares made in factories and sold in stores throughout the land. So a large number of people making and selling these things wouldn't have work to do. That would mean unemployment in the cities. My guess is that, if they think it over, most consumers would prefer to keep jobs and have money, rather than to lose jobs and have no money to spend for cheap pork. Also, it is a fact that the hog cycle means alternative extremes in price --- and knock down prices of bacon one year are the surest possible sign of luxury bacon prices ahead. In the long run, the hog cycle does not seem to do the consumer any good.

Aside from the producer and consumer, there is another party of interest in the hog cycle. That is the processor -- the meat packer and handler --- and the labor that the processors employ.

It is true that the Institute of American Meat Packers appeared in the recent hearing in Washington to argue for abandonment of the corn-hog program next year. Some spokesmen of the meat packing industry privately admit that it would be a good thing for the farmers to level out the hog cycles. But they are opposed to any actual attempt under the Adjustment Act to do it. They argue that the job is too big, too difficult, and the best thing to do is to do nothing.

The farmers and the rest of the country should by now be perfectly familiar with that kind of defeatist talk. We farmers had it drummed into our ears from 1920 to 1932. We were told then that every plan currently offered, from the

export debenture to the McNary-Haugen bill, wasn't any good and shouldn't be tried. In 1933, when we finally got the Adjustment Act, we were told over and over it was hopeless to expect that farmers would or could work together to use the Act. We were told that they couldn't or wouldn't organize into production control associations, that in short it was just futile for farmers to make any real struggle against the bitter conditions of depression.

But it happens that 3,000,000 farmers have organized themselves into production control associations; they actually have used the Adjustment Act as Congress said they might; and I doubt if they are in the mood to listen now to those who, when agriculture was prostrate and the nation faced disaster, had nothing to suggest about any imminent plan of rescue except that "it can't be done."

It is conceded that the packers have a legitimate interest in an immediate upturn in the volume of hog production. But this interest in an immediately larger volume is not contrary to the interest of farmers, who can profit from some increase in production even at moderating prices, nor is it contrary to the interest of consumers. If there is a corn-hog program in 1936, it will recognize frankly that everyone -- farmer, consumer and packer -- will benefit from a substantial expansion of hog production above the extreme shortage forced on farmers by drought. There is no argument about that.

The issue in the forthcoming referendum is a decidedly different matter. This issue is whether we are to control this expansion or whether we are to have a continuation of the upswing of corn and hog supplies to a new peak, and a return to the old familiar experience of the hog cycle.

Now I admit that the hog cycle may, and sometimes does, operate to the advantage of the larger packer who has the capital to ride the market both ways and who profits on inventories on the price upswing.



But what about the overwhelming majority of processors and their employees? How does the hog cycle affect them?

Well, of course, when hog supplies are increasing, plant capacity expands and capital and labor are drawn into the industry. But what about the time when the hog cycle swings the other way, and the inevitable slump in supplies arrives? Then competition for volume becomes keen, overexpanded plant capacity becomes idle, large packers buy up small packing companies and the working men who have been drawn into the industry by peak volume of supplies begin to lose their jobs. So it seems to me that the extreme fluctuations of supply characterizing the hog cycle do not benefit the packing industry as a whole, or the retail and wholesale trades, or the men and women engaged in the industry all along the line. To labor and capital, the hog cycle means a succession of activity and idleness, and in the long run, chronic insecurity.

So far, we have been talking about immediate interests in the hog cycle. But from a different aspect, the problem is so broad and deep that it touches the general public welfare in a way that is vital.

All corn and hog growers here will appreciate what I mean when I say that the old individualistic kind of agriculture, with its scramble to escape bankruptcy every four or five years, condemned us to terrific costs in waste of land and destruction of soil.

Possibly people of the cities are not yet fully awake to the perils to them of that kind of farming. But I believe that farmers generally are wide awake to the dangers of it. Every good farmer wants to run his farm to conserve the fertility of his acres, and to restore the lands which have been depleted. Farmers generally know the needs of their lands, and how to use good methods and sound rotation systems to preserve the productivity of their farms.



What is the greatest obstacle to sound farming practice? Farmers know the answer. It is the recurrence of price depression. That is what drives them to mine their soil. In recent years, since in retaliation to our tariffs foreign nations began closing their markets to us, American farmers have sold at home and abroad vast quantities of soil fertility at prices that wouldn't even pay the cost of converting it into pork and lard.

Before there were any adjustment programs, you farmers periodically engaged in cutthroat competition among yourselves at this game. When that competition was at its worst was exactly the time you were compelled to be most disregarding of the land, because the prices you received gave you nothing for labor. You had nothing but the soil to sell. It is no wonder millions of farmers have concluded that for protection of themselves, and protection of their lands, the time has come to attempt a collective effort.

Next to the farmer, no one has so great an interest in soil conservation and soil restoration as the consumer. Adjustment programs which seek to stabilize production also take lands out of surplus crops and make it possible for farmers to put them into soil-building and erosion-preventing pasture crops, hay and legumes. Tens of millions of precious acres already have been devastated by erosion. The damaging effects of erosion and overcropping may be seen in every farming community in the corn belt. The land constitutes the nation's richest resource. To go back to the old wasteful methods, characterized by production cycles and the accumulation of surpluses which have beset American farmers, is to take risks which no nation at all conscious of its welfare should want to run.

We have been describing what would likely be some of the consequences of a decision to abandon the corn-hog program and let matters take their course -- the course they have always taken in the past when the policy was one of "let alone"



and drifting.

Now we should scrutinize the other side of the picture.

Suppose the decision is for another corn-hog program in 1936. What would the consequences of such a decision be?

I am not pretending that the moment such a decision is made, presto! the hog cycle would be a thing of the past. I am not saying that your problems of farming would then be solved, that consumers would all be happy, that erosion and mining the soil would cease forthwith. I am not arguing that a new program would be a huge success, making you all happy men and women. You know and I acknowledge that if such a decision is made it will mean a lot of hard work for us and our committeemen, a lot of give and take among you and your neighbors, and new struggles with rules and regulations. Those things we know would follow a vote to work out a new corn-hog program.

Nevertheless, for all of that, it would be tremendously different from a decision to throw up our hands, choosing so as to be through with all petty irritations, to quit trying to do anything at all about the grave problem which confronts us.

A vote for a new corn-hog program would be a decision to try to go ahead. It would mean at the very least that we would pit our ingenuity against obstacles in an attempt to iron out the corn-hog cycles; that we would be willing to work for and fight for progress. It is reasonable to suppose that a fair degree of success is possible -- that, while price swings would continue, their extremes which have caused the worst waste and the greatest hardship, would be greatly moderated. The corn loan plan is well adapted to help accomplish this.

It is also well within the realm of possibility that, escaping the most disastrous price collapses, with assurance of fair incomes and benefit payments to serve as crop income insurance in times of crop failure, farmers could afford



better and more efficient farming practice, and greater sustained efforts to conserve and restore soil fertility. These are the rational and attainable objectives.

For the past two years farmers have been fighting to escape from depression. They have sought for the establishment of farm prices in better balance with industrial prices. But Congress also wrote the word "maintain" into the Agricultural Adjustment Act. Therefore we understand it is emphatically not the policy of Congress to make farmers passively permit a new plunge back into a cycle of low prices, if it is possible to work out measures under the Adjustment Act to prevent it. It is a fact that the maintenance of more stable prices and meat supplies would be beneficial to consumers and to the large majority of people employed in the processing industries. The maintenance of a fair income for corn and hog producers would be good for business all over the country. If they want it, the farmers are entitled to the opportunity the Adjustment Act affords to maintain a place for themselves in the national advance toward recovery.

The question is up to the farmers. It is fitting that it should be up to you. No one else can do anything decisive about the problem I have described. I believe no one else has the courage even to try. I have heard people around Washington, critical of all your past efforts, predicting with something like glee that your response in the forthcoming referendum will be so feeble that it will signify the end. But maybe it will take a count of the ballots -- nothing else -- to tell what the result of the referendum will turn out to be.